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Supreme Court of the United States

October Term, 1973.

No. 73-1287.

THE REPUBLIC OF CUBA, *et al.*,
Interventor-Petitioners,
against
ALONSO MENENDEZ, *et al.*,
Owner-Respondents,
SAKS & COMPANY,
Defendant-Respondent.

THE REPUBLIC OF CUBA, *et al.*,
Interventor-Petitioners,
against
RAFAEL CIFUENTES, *et al.*,
Owner-Respondents,
FABER, COE & GREGG, Inc.,
Defendant-Respondent.

THE REPUBLIC OF CUBA, *et al.*,
Interventor-Petitioners,
against
RAFAEL CIFUENTES, *et al.*,
Owner-Respondents,
ALFRED DUNHILL OF LONDON, Inc.,
Defendant-Respondent.

Brief in Opposition to Petition for Writ of Certiorari.

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OCTOBER TERM, 1973.

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THE REPUBLIC OF CUBA and DANIEL SOLANO PINERA, as Interventor of MENENDEZ, GARCIA Y COMPANIA, LIMITADA and MENENDEZ, GARCIA Y CIA. LTDA. and MENENDEZ Y GARCIA,

Interventor-Petitioners,

against

ALONSO MENENDEZ, JOSE M. GARCIA, BENJAMIN MENENDEZ, JOSE MENENDEZ and ADOLFO GARCIA, co-partners, doing business under the firm name and style of Menendez, Garcia Y Compania, Limitada and MENENDEZ, GARCIA Y CIA LTDA. and MENENDEZ Y GARCIA,

Owner-Respondents,

against

SAKS & COMPANY,

Defendant-Respondent.

Brief in Opposition to Petition for Writ of Certiorari.

THE REPUBLIC OF CUBA and DANIEL SOLANO PINERA, as Interventor of MENENDEZ, GARCIA Y COMPANIA, LIMITADA: F. PALICIO COMPANIA, S.A.; CIFUENTES Y COMPANIA and POR LARRANAGA, FABRICA DE TABACOS, S.A.,

Interventor-Petitioners,

against

RAFAEL CIFUENTES, RAMON CIFUENTES and MANUEL CIFUENTES, co-partners, doing business under the firm name and style of Cifuentes Y Compania; ALONSO MENENDEZ, JOSE M. GARCIA, BENJAMIN MENENDEZ, JOSE MENENDEZ and ADOLFO GARCIA, co-partners, doing business under the firm name and style of Menendez, Garcia Y Compania, Limitada; POR LARRANAGA, FABRICA DE TABACOS, S.A.; and F. PALICIO Y COMPANIA, S.A.,

Owner-Respondents,

against

FABER, COE & GREGG, Inc.,

Defendant-Respondent.

THE REPUBLIC OF CUBA and DANIEL SOLANO PINERA, as Interventor of MENENDEZ, GARCIA Y COMPANIA, LIMITADA; F. PALICIO Y COMPANIA, S.A.; CIFUENTES Y COMPANIA and POR LARRANAGA, FABRICA DE TABACOS, S.A.,

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RAFAEL CIFUENTES, RAMON CIFUENTES and MANUEL CIFUENTES, co-partners, doing business under the firm name and style of Cifuentes Y Compania; ALONSO MENENDEZ, JOSE M. GARCIA, BENJAMIN MENENDEZ, JOSE MENENDEZ and ADOLFO GARCIA, co-partners, doing business under the firm name and style of Menendez, Garcia Y Compania, Limitada; POR LARRANAGA, FABRICA DE TABACOS, S.A.; and F. PALICIO Y COMPANIA, S.A.,

Owner-Respondents,

against

ALFRED DUNHILL OF LONDON, Inc.,

Defendant-Respondent.

Petitioners seek writs of certiorari to review three judgments of the U. S. Court of Appeals, for the Second Circuit, entered September 24, 1973, affirming two of the judgments of the District Court, for the Southern District of New York, and affirming in part and reversing in part the third judgment.

Opinions Below.

The opinion of the Court of Appeals is reported at 485 F. 2d 1355 (1973). The opinion of the District Court is

reported at 345 F. Supp. 527 (1972). Both opinions appear in the joint appendix.

Jurisdiction.

The jurisdiction of this court is invoked under 28 U.S.C. §1254.

Questions Presented.

1. As to the controversy between petitioners and the defendant-respondents, is the rule of this court in *First National City Bank v. Banco Nacional*, 406 U. S. 759, applicable? The owner-respondents not being concerned therewith, will not comment thereon.

2. Did the courts below properly hold that the accounts receivable of the owner-respondents due from the defendant-respondents for pre-intervention shipments, were not property located in Cuba on the intervention date, and thus were beyond the reach of the intervention decrees?

3. The accounts receivable of the owner-respondents due from the defendant-respondents, being payable in New York in U. S. dollars, did the courts below properly hold that the Cuban currency regulations did not abrogate the owner-respondents' rights to receive payment in dollars?

4. Did the courts below properly determine questions of trademark validity and infringement before determining the question of appropriate remedy?

5. Where a trademark is identified with a formulation, including a particular ingredient, is the trademark extinguished merely by virtue of that ingredient becoming unavailable?

Statement of the Case.

Before intervention on September 15, 1960, the owner-respondents (sometimes referred to as "owners") shipped cigars from their factories in Cuba to the defendant-respondents (sometimes referred to as the "American importers," or merely "importers") and issued invoices payable in United States dollars. The stipulation of facts, Trial Court Exhibit 1, acknowledged that the importers, to whom the pre-intervention cigars were shipped by the owners, were located in the United States.

On substantial evidence, the courts below found that the owners were entitled to recover from the American importers for the proceeds of the pre-intervention shipments, about $477,000, and that the owners were entitled to such payment in United States dollars, for which judgment was duly entered.

The District Court found that the owners' U. S. registered trademarks were valid and had been infringed and, while denying the owners present injunctive and accounting relief, reserved jurisdiction for modification of the judgment and injunctive relief in case of future infringement.

Argument.

No valid reasons for allowance of the writ have been tendered. No claim is made that the Court of Appeals rendered a decision in conflict with that of any other court of appeals on the same matter. The various circuits are quite uniformly in accord with, and support, the judgment herein. There is no claim here that the Court of Appeals has decided an important question of Federal law which has not been, but should be settled by this court. Nor has any Federal question been decided in any way in conflict with applicable decisions of this

court. The judgment herein is clearly in accord with the decisions of this court.

The second and third questions presented have to do with the owners' right to the pre-intervention cigar shipments, and the applicability of the Cuban currency control regulations.

The accounts receivable for the proceeds of the pre-intervention cigar shipments were not property located in Cuba on the intervention date, and thus, were beyond the reach of the intervention and currency control decrees.

(a) The importers/debtors, to whom the pre-intervention cigars were shipped by the owners, were located in the United States. The District Court awarded judgments in favor of the owners against the importers alone for the value of the pre-intervention shipments. The owners were not granted any judgment against the interventors for the pre-intervention shipments.

(b) The situs of the debts owed by the importers to the owners is in the United States.

In *Banco Nacional de Cuba v. Sabbatino*, 376 U. S. 398, 84 S. Ct. 923, 71 L. Ed. 2d 804 (1964), this court declared that the effect of an act of state of a foreign government must be treated exclusively as an aspect of Federal law. Pursuant to the doctrine, the court, in *Republic of Iraq v. First National City Bank*, 353 F. 2d 47 (2nd Cir. 1965) at pages 50-51, said:

> "It would be baffling if a foreign Act of State intended to affect property in the United States were ignored on one side of the Hudson but respected on the other; any such diversity between

> States would needlessly complicate the handling of the foreign relations of the United States. The required uniformity can be secured only by recognizing the expansive reach of the principle announced by Mr. Justice Harlan in *Sabbatino*, that all questions relating to an Act of State are questions of Federal law * * *"

To the same effect is *Tabacalera Severiano Jorge, S. A. v. Standard Cigar Co.*, 392 F. 2d 706, 715 (5th Cir. 1968); 12 ALRF 707, 738. In 1904, this court, in *Harris v. Balk*, 198 U. S. 215, 25 S. Ct. 625, 49 L. Ed. 1023, held that, as to *ordinary* debts, the situs of the debt is at the location of the debtor. That is in accordance with the British rule *In re Helbert Wagg & Co.*, 1 All E. R. 129 (1956), wherein the court held that a debt is situated at the place where the debtor resides, even if the debt is payable elsewhere. Petitioners rely on various tax cases, such as *Farmers Loan & Trust Co. v. State of Minnesota*, 280 U. S. 204 (1929); *Texas v. New Jersey*, 379 U. S. 674 (1963). Those cases, however, had nothing to do with the power to enforce payment of an ordinary debt. The policy underlying the court's situs determinations for the purpose of enforcing tax or escheat claims has no relevancy or application to claims based upon a foreign government's purported confiscation. The record is devoid of any showing that the importers or their agents were present in Cuba or subject to the jurisdiction of the Cuban courts on the intervention date. Therefore, no legal effect should be accorded such attempted confiscation of the importers' debts to the owners. Hence, the intervention did not deprive the owners of their right to collect the outstanding debts owed to them by the importers for pre-intervention shipments.

(c) Regardless of the "situs of debt" theory, payment of the debts due to the owners from the American im-

porters being enforceable only by a court in the United States, to apply the Cuban Act of State to such debts would give it extra-territorial effect.

In *Harris v. Balk, supra*, this court looked to the jurisdiction which had the power to deal with the *res*, i. e., the debt. Likewise, in *Republic of Iraq v. First National City Bank, supra*, the court was impelled to hold that the Iraqi ordinance of confiscation of King Faisal's property was not properly enforceable against a United States bank account, because Iraq could not enforce its Act of State within its own borders. Obviously, the ordinance was not self-executing by the Republic of Iraq, for it required the power of the United States Courts to give effect to the Iraqi Act of State. Therefore, the Iraqi government was attempting to exercise its Act of State extraterritorially, within the boundaries of the United States, in order to give effect to what was an obvious hollow act within the territory of Iraq. Accordingly, our courts declined to enforce the Iraqi ordinance of confiscation.

To similar effect is the holding in *Tabacalera Severiano Jorge, S. A. v. Standard Cigar Co., supra*. The facts in that case are virtually identical to those in the case at bar. It was there said that regardless of the ordinary concept of the situs of a debt, the government of Cuba was not physically in a position to perform a *fait accompli*, in the nature of the acquisition by the Cuban government of the money owed to the owners by the American debtors. *Tabacalera Severiano Jorge* concluded that whatever efforts were made by the Cuban government dealing with *Tabacalera Severiano*, those acts are to be recognized under the Act of State doctrine *only* insofar as they were able to come to complete fruition within the dominion of the Cuban government, and that there was no "taking of property within its

own territory," within the language used by this court in *Sabbatino*.

It follows that the intervention of the owners' business did not expropriate the importers' indebtednesses for pre-intervention shipments. Those debts always remained obligations of the importers to the owners.

The Cuban currency control regulations are inapplicable to debts owed by the American importers situated in New York, which are payable in New York, in United States dollars.

(a) The factual findings in this case, and a review of the documents relating to the pre-intervention shipments and payments therefor demonstrate that payment was to be made in United States dollars in New York City. The owners' Trial Exhibits 1, 36, 37, 38, 46, 47 and 48, relating to the sales by the owners to the importers, uniformly specify the amounts payable in dollars. Schedule A, annexed to the Stipulation of Facts, Court Exhibit 1, indicates that all the amounts are stated therein to be payable in United States dollars. The invoices on which the schedule is based also specify United States dollars. The billings and the importers' accounts were always payable in New York, in United States dollars. This is overwhelmingly supported by the great number of checks used by the importers in making the erroneous payments, all of which were drawn by defendants and payable in United States dollars.

It is, therefore, clear that the debts were situated in New York, requiring payment to be made in United States dollars in New York.

(b) The Cuban currency control regulations were ineffective as to the debts due the owners from the importers.

A sovereign may control currency only within its own borders. *In re Helbert Wagg & Co., supra.* As is true with the Act of State doctrine, the power to enforce currency control regulations stops at the sovereign's borders.

None of the invoices or billings was payable in pesos. Thus, as between the owner-respondents and the importers, the owners always had a valid right to receive payment in dollars, enforceable in our courts. Petitioners contend that if the Cuban currency control regulations were not given effect by our courts, it would give the owners the benefit of a dollar windfall, in lieu of pesos, which the owner would have been required to accept in exchange for their dollars. That, however, was conditioned on the money coming within Cuban jurisdiction, which it never did. Currency control regulations are but a form of revenue law. In the absence of international agreement, such laws generally will not be enforced by United States courts (*Cornrado v. Harbeck*, 232 N. Y. 71, 133 N. E. 357 [1921]). Long ago, Cuba withdrew from the Bretton Woods Fund Agreement, and cannot predicate its attempt to enforce its currency regulations upon any treaty or international agreement with the United States.

We submit that this case may not be governed by those decisions in which the debtor's obligation was limited by agreement to pay in foreign currency or in a country where there is currency control. See, e. g., *Pan American Life Insurance Company v. Blanco*, 363 F. 2d 167 (5th Cir. 1966); *In re Helbert Wagg & Co., supra.* Here, payment became due in the United States, in United States currency. This closely parallels the facts relating to the claimants *Blanco* and *Conill*, in *Pan American Life Insurance Company v. Blanco*, where the court held that Cuban currency controls do not apply,

and payment was ordered in United States dollars. That the effect of the judgments below results in awarding the owners dollars, worth more on the market than pesos, which the owners would have been required to accept if they were in Cuba, does not constitute valid ground for enforcement here of Cuba's revenue laws, cf. *Banco do Brasil, S. A. v. A. C. Israel Commodity Co.*, 12 N. Y. 2d 371, 190 N. E. 2d 235, 239 N. Y. S. 2d 872, cert. denied 376 U. S. 906 (1963).

Under these circumstances, the currency control regulations of Cuba are inapplicable. The owners were justly awarded judgment against the American importers in United States dollars.

The courts below properly determined the issues of trademark validity and infringement.

The interventor-petitioners argue that the courts below in effect granted a declaratory judgment with respect to the questions of trademark validity and infringement by finding that the trademarks were valid and infringed and then refusing to award damages for such infringement and an injunction against further infringement. The interventor-petitioners ground their argument in the patent law where it is well established that a court should not make a finding on patent validity if there is no infringement nor should it make a finding on the question of infringement if it finds the patent invalid. In the trademark law, as in the patent law, it is the combined findings of validity and infringement which give rise to a need for determining what relief should be granted. The available relief and the criteria controlling the award thereof are covered by separate statutory provisions. Thus, in order to determine what form of relief should be granted, if any, a determination must first be made as to whether or not a civil action prop-

erly lies. This latter determination is dependent solely upon the questions of validity and infringement.

If the courts below had found either invalidity or noninfringement, that properly would have precluded a determination of the other and of the question of relief, as there would have been no viable claim for relief. But the courts below, having found trademark validity, were obligated to make a determination of trademark infringement and thus determine that a claim existed before it could examine the appropriate remedies in the case.

Liability for trademark infringement is defined in Section 32(1) of the Lanham Act, 15 USC 1114(1), whereas, the remedies which may be granted for such infringement are covered by Sections 34 and 35 of the Act, 15 USC 1116 and 1117. Thus, the statutory scheme required the courts below to employ the procedure they followed, that is, first finding whether a claim for trademark infringement exists and then determining the appropriate remedy, if one is required. This is the well-established procedure followed in the courts as evidenced by the holdings in *Field Enterprises Educational Corp. v. Cove Industries Inc.*, 297 F. Supp. 989 (EDNY 1969); *Cook Industries Inc. v. Carlson*, 334 F. Supp. 809 (ND Miss. 1971), and *Oklahoma National Gas Corp. v. Municipal Gas Co.*, 113 F. 2d 308 (10th Cir. 1940).

Finally, the interventor-petitioners overlook an important fact; namely, that the courts below did grant limited relief to the owner-respondents herein. Specifically, the trial court retained jurisdiction of this matter for the purpose of granting further relief as and when required, if the interventor-petitioners resumed their infringing activities. The courts below deemed this to be an adequate remedy in and of itself. This establishes beyond

any doubt that the finding of validity and infringement by the court below was not a mere declaration of rights.

The unavailability of Cuban tobacco does not, of itself, destroy the owner-respondents trademark rights.

The interventor-petitioners argue that, as the trademarks of the owner-respondents are identified in the minds of the U. S. purchasing public with cigars made of Cuban tobacco, when the embargo against importation of Cuban tobacco was imposed in February of 1962, the trademark rights of the owner-respondents were forthwith extinguished. This astonishing proposition is predicated by the petitioners on one and only one case, *Mulhens and Kropff, Inc., v. Muelhens, Inc.*, 43 F. 2d 937 (2nd Cir. 1930). *Mulhens and Kropff* simply does not stand for the proposition that when availability of a special ingredient in a trademarked product is eliminated, the trademark is extinguished.

Mulhens and Kropff is concerned with protecting the public from deceptive use of trademarks. The case stands for the proposition that trademark rights will be extinguished if all of the following conditions are met: (a) the trademark is identified with a special formulation; (b) the owner of the trademark uses the trademark on a product that has not been compounded in accordance with the formulation; and (c) the public was deceived by the use of the trademark on the product made by other than the original formulation.

In the present case, the owner-respondents have not used their marks on cigars that do not include Cuban tobacco. They have not used their trademarks at all since 1960. As there has been no public use of the marks, then, a fortiori, there has been no deception of the public.

Thus, two out of the three conditions giving rise to extinguishment of trademark rights under the doctrine of *Mulhens and Kropff* are not present in this case and the *Mulhens and Kropff* doctrine thus does not apply here.

Moreover, all of the credible evidence presented at trial on this point established that the American cigar smoking public would *at this time* not be deceived even if the owner-respondents were to commence employing their marks in connection with high quality non-Cuban tobacco. This is substantiated not only by testimony of the expert Ralph Williams at page 335a of the Joint Appendix, but it is substantiated by the fact that many of the leading cigar brands presently on sale in the U. S. were originally made in Cuba of Cuban tobacco and are now made in the U. S. of non-Cuban tobacco. This transition applies to such famous cigar brands as Corona-Corona, Medalist and Shakespeare. This establishes that American cigar smokers are fully aware of the fact that Havana tobacco is no longer available nor in use on cigars which they can buy. Thus they would not expect cigars bearing the owners' trademarks to be made of Cuban tobacco and would not be deceived by their use of the mark on cigars made of non-Cuban tobacco. Accordingly, *Mulhens and Kropff* would not apply.

Finally, the novel interpretation of *Mulhens and Kropff* put forward by the interventor-petitioners would eliminate in many instances the long and well-established rule of law relating to trademark abandonment resulting from non-use of marks under special circumstances. In cases too numerous to list, trademarks which were not used because of war or because of statute (such as the Volstead Act) were found still to be the property of their owners years later, notwithstanding the fact that ingredients were unavailable because of war or statute, *Kelly Liquor Co.*

v. National Brokerage Co., 102 F. 2d 857, 41 U. S. P. Q. 311 (CCPA 1939); *Pennsylvania Co. for Insurance On Lives v. Patterson and Coane, Inc.*, 38 U. S. P. Q. 276 (D.C.N.J. 1938). Thus, for example, if the interventor-petitioners' proposition were in fact law, all of the trademarks for alcoholic beverages which were in existence prior to the imposition of prohibition in the United States would have been immediately extinguished upon prohibition coming into being. This is not and never has been the law in the United States. Thus, respondents' trademarks were not extinguished by the mere unavailability of Cuban tobacco.

Conclusion.

The two courts below correctly held that the owners were entitled to recover from the American importers the proceeds of the pre-intervention shipments, payable in United States dollars. The owners were properly awarded trademark relief. No valid reasons for allowance of a writ of certiorari have been presented. Accordingly, the petition for certiorari should be denied.

Respectfully submitted,

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